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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section

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DR. KENNETH M. STONE, CPA
Internal Audit Executive

September 23, 2008

Marguerite Ghant, Executive Director
Mark Twain Community Alliance
4919 N. Union Boulevard
St. Louis, MO 63115

RE: Review of Mark Twain Community Alliance, Community Based Development Organization (CBDO), Community Development Block Grant (CDBG), Home Repair Program, Contracts #06-31-22 and #07-31-22, CFDA #14.218 (Project #2008-CDA20)

Dear Ms. Ghant:

Enclosed is a report of our fiscal monitoring review of the Mark Twain Community Alliance, a not for profit organization, Home Repair Program, for the period January 1, 2006 through December 31, 2007. The scope of a fiscal monitoring review is substantially less than an audit, and as such, we do not express an opinion on the financial operations of Mark Twain Community Alliance. Our fieldwork was completed on March 10, 2008.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the City of St. Louis Community Development Administration (CDA) to provide fiscal monitoring to all grant subrecipients.

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Sincerely,

A handwritten signature in black ink that reads "Kenneth M. Stone".

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Ms. Jill Claybour, Acting Executive Director, CDA
Ms. Lorna Alexander, Special Assistant for Development, CDA



CITY OF ST. LOUIS

*COMMUNITY DEVELOPMENT ADMINISTRATION
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)*

*MARK TWAIN COMMUNITY ALLIANCE
COMMUNITY BASED DEVELOPMENT ORGANIZATION (CBDO)
HOME REPAIR PROGRAM
CONTRACTS #06-31-22 & #07-31-22
CFDA #14.218*

*FISCAL MONITORING REVIEW
JANUARY 1, 2006 THROUGH DECEMBER 31, 2007*

PROJECT #2008-CDA20

DATE ISSUED: SEPTEMBER 23, 2008

*Prepared by:
The Internal Audit Section*



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
MARK TWAIN COMMUNITY ALLIANCE
HOME REPAIR PROGRAM
FISCAL MONITORING REVIEW
JANUARY 1, 2006 THROUGH DECEMBER 31, 2007**

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COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
MARK TWAIN COMMUNITY ALLIANCE
HOME REPAIR PROGRAM
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INTRODUCTION

Background

Contract Name: Mark Twain Community Alliance

Contract Program: Home Repair Program

Contract Numbers: 06-31-22 & 07-31-22

CFDA Number: 14.218

Contract Periods: January 1, 2006 through December 31, 2006 (06-31-22)
January 1, 2007 through December 31, 2007 (07-31-22)

Contract Amounts: Originally \$28,000, revised to \$135,930 (06-31-22)
Originally \$28,000, revised to \$84,064 (07-31-22)

This contract provides funds to Mark Twain Community Alliance (Agency) to assist in the restoration and revitalization of the Mark Twain and surrounding neighborhoods by providing decent housing and a viable living environment for people of mixed incomes, but particularly low and moderate incomes. The corporation's intent is to attract new residents to the community and encourage existing residents to remain in the community. The organization strives to expand economic opportunities by assisting with upgrading existing business and attracting new business to locate in the Mark Twain area and the 1st Ward.

Purpose

The purpose of this fiscal monitoring review was to determine the Agency's compliance with federal (including OMB Circular A-133), state and local Community Development Block Grant (CDBG) compliance requirements for the period January 1, 2006 through December 31, 2007 and make recommendations for improvements if necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grant administered by the Community Development Administration (CDA), tested evidence supporting the reports the Agency submitted to CDA, and performed other procedures considered necessary. Our fieldwork was completed on March 10, 2008.

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INTRODUCTION

Exit Conference

The Agency declined our offer to hold an exit conference.

Management's Responses

Management's responses to the observations noted in the report were received on April 17, 2008 and have been incorporated in the report.

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CONCLUSION AND SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal (including OMB Circular A-133), state and local CDBG requirements.

Status of Prior Observations

The Agency's most recent fiscal monitoring report dated October 28, 2005 contained no observations.

A-133 Status

According to a letter received from the Agency on January 8, 2007, the Agency was not required to have an A-133 audits for calendar years 2006 and 2007 because it did not expend \$500,000 or more in federal funds in those years.

Summary of Current Observations

We made recommendations for the following observations, which if implemented, could assist the Agency in fully complying with federal, state and local CDBG requirements.

1. The Agency does not have adequate Board oversight.
2. The Agency does not have an adequate segregation of duties.

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**DETAILED OBSERVATIONS, RECOMMENDATIONS,
AND MANAGEMENT'S RESPONSES**

1. The Agency does not have Adequate Board Oversight

Sound management practice requires the Board of Directors (Board) to provide oversight on the Agency's activities to ensure an acceptable level of internal control over the Agency's operations and its compliance with the federal, state and local grant requirements.

We reviewed a sample of the minutes of the Agency's Board meetings and noted no evidence that the Board reviewed financial reports and grant expenditures. The Board of Directors appeared unaware of their oversight responsibility for the Agency's operations.

The lack of Board oversight may result in inefficient use or misappropriation of the grant funds or non-compliance with the OMB Circular A-133, state and local CDBG requirements.

Recommendation

We recommend that the Board fulfill its oversight responsibilities by reviewing the Agency's operations at its meetings.

Management's Response

The Mark Twain Board of Directors in the future will record their review of the financial statements in the minutes of all written and orally given financial reports. This will include all financial statements and grant expenditures.

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**DETAILED OBSERVATIONS, RECOMMENDATIONS,
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2. The Agency does not have an Adequate Segregation of Duties

Duties within an entity or function should be separated so that one person does not have sole control over a process from its initiation to its conclusion. Duties that should be segregated include authorization, custody of assets and recording transactions. For example, separate individuals should perform the processes of receiving, recording, depositing cash and performing bank reconciliations.

Internal Audit section noted the same person was responsible for signing and recording of checks and performing bank reconciliations.

Since the Agency uses an accounting firm for its accounting needs, this procedure was deemed acceptable by the Agency.

If an adequate segregation of duties does not exist, the following could occur:

- Misappropriation of funds
- Misstated financial statements
- Undetected errors and irregularities
- Improper use of grant funds

Recommendation

We recommend the Agency ensure that the person who prepares documentation should not be the same person to authorize and execute the transaction.

Management's Response

The Mark Twain Board of Directors is presently seeking funds to bring on another staff person to share the responsibilities of the Agency's various administrative and accounting functions. Mark Twain's Board of Directors plans to alleviate this concern before the end of the second quarter by having the position filled by an additional staff person or by a contractual accounting service.